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SUBJECT: DS-DSS COALITION MOST LIKELY AFTER SERBIAN  
ELECTIONS

#### SUMMARY

1. (SBU) Although both DS and DSS officials deny that they have a pre-cooked deal to share power after elections, a coalition centered around the DS and DSS is the most likely outcome of 21 January elections. Prime Minister Kostunica has made clear his intention to retain his position in the next government, and the DS has not tried hard to counter the perception that the party is prepared to accept Kostunica as head of a DS-DSS government. G17 Plus (and possibly the Socialists) could further tip the scales in favor of Kostunica, with party leader Mladjan Dinkic rumored to have cut a deal with Kostunica. Although we cannot completely count them out, the Radicals reportedly see little chance that they can form the next government and may be saving resources for presidential, local, and Vojvodina elections later this year. Ceda Jovanovic's Liberal Democratic Party also is preparing to sit in opposition if its coalition passes threshold, but has not ruled out supporting a minority DS-DSS government if necessary to keep the Radicals out of power. In theory, a series of deadlines imposed by Serbia's election law and new constitution should lead to a new government being in place by mid-March, although this is by no means a sure thing. End Summary.

#### DS CLOSING GAP ON RADICALS

2. (SBU) The latest tracking polls from IRI show eroding support for the Radical Party (SRS) and the Democratic Party (DS) within striking distance of becoming the biggest vote-getter in 21 January elections. The poll shows only four parties--the SRS, DS, Democratic Party of Serbia (DSS), and G17 Plus--definitively above the five-percent election threshold. It also shows the United Pensioners Party (PUPS) helping to put at risk the chances that the Socialist Party (SPS) has to cross the threshold. Here are the results of a survey conducted at the end of December:

SRS	26 percent
DS	24
DSS	18
G17	8
LDP	5
SPS	4
PUPS	2
SPO	2

#### DS INTENTIONS REMAIN AMBIGUOUS

3. (SBU) Serbian President Boris Tadic and his Democratic Party (DS) continue to send mixed signals about their post-election goals and expectations. Tadic's close adviser Dragan Djilas recently stated publicly that the DS prioritizes taking over the economic, health, and education portfolios in the next government because these are the

domains in which the DS can best fulfill its promise of securing a better life for Serbian citizens. Similarly, other members of Tadic's cabinet have expressed privately to Poloffs a willingness to accept a power sharing deal with the Democratic Party of Serbia (DSS) in which DSS leader Vojislav Kostunica remains prime minister, his party retains control of the Interior and Justice Ministries as well as the Security Information Agency, and the DS is given a deputy prime minister slot, all major economic portfolios, and the Ministries of Foreign Affairs and Defense.

14. (SBU) The DS's refusal so far to put forward their own prime minister candidate has reinforced the perception that the party is prepared to accept Kostunica as head of a DS-DSS government. On the other hand, in an interview with the Blic daily published on 2 January, Tadic asserted that the DS would surely win significantly more votes than the DSS and therefore would be entitled to appoint the next prime minister. He and other senior DS leaders have said that the DS has at least five (unspecified) PM candidates, with most pundits mentioning ex-Finance Minister Bozidar Djelic, People's Office Director Dragan Djilas, ex-Minister Gordana Matkovic, Ambassador to the US Ivan Vujacic, and Tadic himself. Tadic said in an interview that appeared on 1/7 that he plans to run for re-election as President of Serbia later this year.

#### DSS COUNTING ON LEADING THE NEXT GOVERNMENT

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15. (SBU) DSS Executive Board President Jovan Palalic denied to Poloffs that the DSS has made a pre-cooked deal with the DS for a governing coalition headed by Kostunica. He noted, however, that the Radical Party (SRS) and Liberal Democratic Party (LDP) have already voluntarily opted out

BELGRADE 00000019 002 OF 003

of any potential coalition with the DSS -- the SRS due to party leader Vojislav Seselj's last will and testament that identified Kostunica and DS leader Boris Tadic as equal nemeses of the Radicals, and the LDP because of its willingness to accept the reality of an independent Kosovo. (Note: Kostunica in a recent interview with daily Vecernje Novosti stated that the DSS will determine its coalition partners first and foremost according to their stance on Kosovo, which suggests he would be less disinclined to cooperate with the SRS than with the LDP. Nevertheless, an official in Kostunica's closest inner circle categorically ruled out to us recently the possibility of DSS participating in a coalition with the SRS. End note.)

16. (SBU) Palalic also confirmed that the DSS's firm goal in any governing coalition is for Kostunica to remain as prime minister and for the DSS and its main coalition partner New Serbia to retain their most important current ministry portfolios, including Interior, Justice, and Capital Investments. Given the inordinate weight that Kostunica continues to place on Kosovo during the campaign, it can also be assumed that the DSS intends to retain control over the government's Coordination Center for Kosovo.

#### G17 PLUS COULD DECIDE WHO HEADS THE NEXT GOVERNMENT

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17. (SBU) G17 Plus deputy leader Ivana Dulic-Markovic (protect) told Poloffs that party chairman Mladjan Dinkic almost certainly would refuse to join or support a governing coalition unless he was reappointed Finance Minister or offered a powerful Deputy Prime Minister position. She dismissed the possibility that Dinkic would settle for his old job as central bank governor as a consolation prize in any potential government formation. Dulic-Markovic also said she strongly suspected that Dinkic had already cut a secret deal with Kostunica guaranteeing Dinkic one of these plum portfolios in exchange for G17 Plus's support for Kostunica as head of the next

government, though she hastened to add that Dinkic would never confirm this information with her because he knows that she cannot stand Kostunica. Dulic-Markovic herself does not intend to participate in the next government, preferring instead to focus her attention on preparing G17 Plus for local elections in Novi Sad and Vojvodina's provincial elections.

#### RADICALS FOCUSING ON ELECTIONS LATER IN THE YEAR

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18. (SBU) The Radicals continue to conduct a relatively subdued campaign, apparently after soberly assessing that they have little chance of forming a governing coalition after elections. Post sources say that the SRS's top officials expect the Socialist Party (SPS), their most viable potential coalition partner, to struggle to pass the election threshold and, even if they do, to continue to gravitate toward the DSS away from the Radicals, particularly after Ivica Dacic's victory as new SPS chairman at last month's party congress. At the same time, even before SRS leader Vojislav Seselj's last will and testament, these same SRS officials reportedly had written off any chance of enticing the DSS to form a coalition with them.

19. (SBU) As a result, SRS acting leader Tomislav Nikolic reportedly has decided to marshal the party's resources for presidential, local, and Vojvodina elections due later in the year. Nikolic appears to be counting on capitalizing on a negative decision on Kosovo by the spring and ensuing tensions within the DS-DSS government to defeat Tadic in presidential elections. Perhaps an even bigger prize that the SRS is eyeing is control of Belgrade, which SRS Secretary General Aleksandar Vucic fell 7,000 votes short

#### SIPDIS

of claiming in the 2004 mayoral race against DS Vice President Nenad Bogdanovic. Bogdanovic reportedly now is suffering from cancer, which raises uncertainty about his ability to run an effective campaign or for the DS to produce another viable candidate to defeat Vucic. Winning Belgrade would provide the SRS an almost limitless revenue stream, in the form of kickbacks and bribes that the party is reportedly carrying out on a smaller scale in Novi Sad, Serbia's second biggest city, and its best opportunity yet to sanitize its image and escape its pariah status at the republic level.

#### LDP ANGLING TO SERVE IN OPPOSITION

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10. (SBU) Liberal Democratic Party (LDP) leader Ceda Jovanovic told Poloff that the LDP-led coalition, which also includes the Civic Alliance (GSS), the League of Social Democrats of Vojvodina, and the Social Democratic

BELGRADE 00000019 003 OF 003

Union, has no intention of joining a governing coalition that includes the DSS. He said that his goal is for the coalition to win 10 percent of the vote on 21 January and then serve as a forceful but constructive opposition. This role would mean supporting a DS-DSS government on legislation that moves Serbia in a pro-Western, reformist, and civic direction and sharply criticizing and obstructing the government when it pursues more nationalist and populist policies. Jovanovic's public statements in which he has ruled out joining a government that includes Kostunica, Dinkic, or Velimir Ilc underscores his preference to serve in opposition, since a government with none of this trio is virtually inconceivable.

11. (SBU) GSS Vice President and one of the LDP coalition's two deputy campaign managers Ivan Andric joked to Poloffs that the coalition's leaders already have plans to go into hiding to preempt any potential pressure by the US or European countries for them to join a DS-DSS government. He indicated that the coalition's leaders

already have a strategy that would enable them to go into opposition but avoid helping the SRS ascend to power, if necessary by supporting a minority DS-DSS government. LDP Presidency member Dejan Randjic said that the LDP coalition's guiding principle in such a role would be to stiffen the DS's spine and "force the DS to be the DS."

#### COMMENT

¶12. (SBU) Coalition wrangling will be fierce regardless of the election results, and the outcome of these negotiations will depend on two main factors: how well the DS does relative to the Radicals and the DSS and how many of Serbia's smaller parties surpass the five-percent threshold. For instance, the DS will have greater leverage to dictate the terms of the ruling coalition, and Tadic will face greater internal pressure to demand the appointment of a DS official as prime minister, if the party outpaces the DSS. Unless DSS's results are miserable (and polling strongly indicates they will not be), we expect the DSS to strongly demand that Kostunica retain the PM job.

¶13. (SBU) On the other hand, with the LDP coalition's plans to voluntarily consign itself to the opposition and the SPS facing continuing marginalization and possibly exclusion from parliament, G17 Plus could also emerge as kingmaker of Serbia's next government. Although G17's rank-and-file are more personally and ideologically inclined toward the DS, a pre-electoral "deal" between party leader Mladjan Dinkic and Kostunica could help tip the scales in favor of the prime minister keeping his post and the DSS gaining far greater weight in the government than its popularity could command on its own. Kostunica could also seek out Socialist support to strengthen his hand, if the SPS crosses the threshold.

¶14. (SBU) In any event, the new constitution places time constraints on the parties to form a governing coalition, dictating that the parliament convene its first session within 30 days of the certification of the election results and that it elect the new government sometime during this session. Since the Republican Election Commission is likely to certify election results by early February, and this first parliamentary session is likely to last a number of days, it is theoretically possible for Serbia to have a new government in place by mid-March. That said, the Kosovo status process, combined with inter-party squabbling, could conceivably delay this timetable.

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